Assets and Values

2002 ANNUAL REPORT

Desjardins

Desjardins Trust

Desjardins Trust is:

■ 2 families of mutual funds totalling roughly 50 products ■ approximately 30 private funds administered for professional organizations ■ private management services focused mainly on discretionary portfolio management, estate liquidation and specialized trust services ■ asset custody and administrative services ■ the Desjardins Group RRSP ■ the administration of 1,350,000 permanent shares and savings plans affording tax-deferred income.

A Sure Value
YOU and Desjardins Trust For 40 Years

After 40 years in the industry, Desjardins Trust is at its peak: it is the most important trust company in Québec and therefore holds an enviable position in the financial products and services industry. Desjardins Trust is the most important RRSP trustee in Québec. In addition, with $115 billion in assets and 55% of market shares, it occupies a top position in Québec's asset custody services market. Desjardins Trust is also a pioneer and major player in the production of mutual funds, and specializes in private management services and group savings plans. Desjardins Trust meets the needs of individuals, corporations, institutions and pension funds in the cooperative, private, public and parapublic sectors. Its products and services are distributed mainly through the Desjardins caisses in Québec and Ontario, as well as through its private management centres located in Montreal, Laval, Québec City and Ottawa.

$145 billion

in assets held and administered

2 million

active accounts

8,000 years

of expertise combined

850 employees

ensuring progress and efficiency

100 products

and quality services

Added Value
for the Desjardins Group

When the Desjardins Group acquired the Société de fiducie du Québec in 1963, it acquired an essential tool to fulfill an important part of its mission, that of meeting the needs of clients in Québec in the areas of investment, asset management, estate planning and estate settlement. Likewise, in 1965, when the Société de fiducie du Québec acquired one of the first mutual funds in Canada, it passed a major turning point that gave rise to one of the most important families of mutual funds in Québec: the Desjardins Funds.

Supplying specialized financial and trust services to the Desjardins caisses as well as to direct clients, Desjardins Trust furthered the evolution of its service offering to match the evolution of their needs. Fortified by 40 years of experience, Desjardins Trust is undertaking a large-scale project: the extension of its scope of action to the whole of Canada.

MONIQUE F. LEROUX, President of Desjardins Financial Corporation and Chief Executive Officer of Desjardins Trust
JEAN LANDRY, President and Chief Operating Officer of Desjardins Trust

Prudence and Stringency: Rewarded Efforts

In the context of global trade, the economic environment is increasingly complex and financial markets are proving to be not only more and more segmented, but also increasingly volatile. Every day, Desjardins Trust works in this ever-changing economic context.

Attentive to market data, and tuned into the strategic orientations of Desjardins Financial Corporation of which it is a subsidiary, Desjardins Trust manufactures mutual funds and group savings plans, ensures discretionary portfolio management services and provides companies with specialized asset custody and administrative services. Thus, Desjardins Trust participates in the upholding and growth of Desjardins Group's service offering.

Evolution of the Mutual Fund Families

The year 2002 afforded an opportunity for Desjardins Trust to enrich its two families of mutual funds. The Desjardins Funds saw the creation of the Desjardins Canadian Equity Value Fund, managed by Bernstein, as well as the addition of T-class units to the Desjardins Québec and Desjardins Dividend funds for investors wishing to benefit from higher and more regular returns, while enjoying the best tax advantages available.

Furthermore, in December, Desjardins Trust launched the Maestral Canadian Dividend Fund, managed by two holding companies: Beutel Goodman & Co and CDP Capital-Marchés mondiaux. In addition to making F-class units available for all of the funds, the Maestral family of funds launched the *Alti*maîtres, a registered education savings plan, and the *Plani*maîtres, an asset management program.

Whether these new products are integrated into the Desjardins Funds or into the Maestral Funds, they represent added value for Desjardins Trust's service offering in the area of mutual funds.

DESPITE STOCK MARKET FLUCTUATIONS, DESJARDINS TRUST HAS DEVELOPED VERY GOOD PROFITABILITY LEVELS THANKS TO SOUND BUSINESS DIVERSIFICATION POLICIES AND A PRUDENT AND STRINGENT APPROACH TO MANAGEMENT.

Desjardins Group RRSP

Fortified by its 3,000 corporate clients and its 70,000 participants, the Desjardins Group RRSP occupies an important position in this sector of activity in Québec. Desjardins Trust, in conjunction with the Fédération des caisses Desjardins and Desjardins Financial Corporation, conducted an in-depth review of its group RRSP service offering so as to continue to ensure strong growth for this product.

Private Management

Thanks to the intervention of its subsidiary Desjardins Investment Management, Desjardins Trust has secured the expertise and know-how of Elantis Investment Management – and of its partner AllianceBernstein – to ensure discretionary portfolio management for the benefit of its clients.

Desjardins Trust also reviewed its private management service delivery procedures by doubling its portfolio management team in contact with its clients – a decision that illustrates the importance granted by the company to direct contacts between the portfolio managers and the investors, particularly when markets are agitated.

Furthermore, Desjardins Trust, in conjunction with the Fédération des caisses Desjardins, worked to extend the service offering in discretionary portfolio management and estate liquidation to the whole of the Desjardins caisses network, thereby furthering to Desjardins Group's objective to become the top financial estate manager in Québec.

Corporate Services

For almost a decade, Desjardins Trust has enjoyed an important evolution of its activities in the asset custody and administrative services sector. The globalization of transaction settlement operations entails the interaction of several foreign currencies. This situation is increasingly playing on the course of activities in this sector, to the extent that the growth and transformation of these activities must now be supported by technological platforms that are as flexible and evolutionary as the services offered.

For this reason, Desjardins Trust acquired a leading-edge software package in 2002, not only to meet the increasingly complex needs of its clients, but also to anticipate market requirements as regards the globalization of transaction settlements. In addition to permitting Desjardins Trust to remain the leader in the asset custody services sector in Québec, the renewal of its technological platform will provide it with the opportunity to position itself on a national scale.

Let us mention that Desjardins Trust enjoyed an excellent year 2002 in the area of asset custody and administrative services, acquiring over a dozen important new mandates representing a total of $2.4 billion in assets.

Outlook

Recognized in Québec as a pioneer and major player in the production of mutual funds, Desjardins Trust now hopes to turn its expertise to good account on the Canadian market. This decision is in keeping with the efforts deployed by the Desjardins Group to benefit from a heightened presence in the rest of Canada.

Desjardins Trust therefore plans to continue to ensure the evolution of the Desjardins Funds and Maestral Funds through the creation of new products. In addition, it will further appeal to a variety of managers and enhance access to outside national and international brand funds, thanks to the marketing of new Desjardins Select Funds.

Desjardins Trust will also seek out acquisitions or partnerships to enrich its families of funds and gain access to new distribution networks. Without a doubt, given its dynamism and excellent financial health, Desjardins Trust is entitled to harbour such ambitions.

Rewarded Efforts

Desjardins Trust posted net earnings of $14.2 million for the fiscal year ended on December 31, 2002. These figures compare with those of the year 2001, when the company registered net earnings of $14.5 million. The return on common shareholder's equity is 22.0%, compared to 19,5% for the same date the previous year.

As you will notice upon reading the Management's Discussion and Analysis report, these results set out a prudent and stringent approach to management.

Monique F. Leroux
PRESIDENT OF DESJARDINS FINANCIAL CORPORATION
AND CHIEF EXECUTIVE OFFICER OF DESJARDINS TRUST

Jean Landry
PRESIDENT AND CHIEF OPERATING OFFICER
OF DESJARDINS TRUST

Top row ■ MARC DUBUC, Vice-President, Marketing
Centre row ■ JEAN BRUNELLE, Vice-President, Sales – Private Management Centres
■ BRIGITTE GASCON, M.B.A, Vice-President, Clients Accounting and Securities Services ; LISE CHARBONNEAU, Vice-President, Business Development and Client Relationships ; BENOÎT LESAGE, CMA, Director, Business Development and Client Relationships ; all three of the Custody and Pension Plans division.
Bottom row ■ MICHEL BOLDUC, Vice-President, Sales – Caisses Network

In 2002, the Desjardins Funds were more successful than the industry average as regards net sales, gross sales and redemptions.

Activity Review

Mutual Funds

DESJARDINS FUNDS In the fall of 2002, two new products were added to the Desjardins Funds family: the all-new Canadian Equity Value Fund and the T-class units for the Desjardins Québec and Desjardins Dividend funds.

Desjardins Canadian Equity Value Fund The company selected to ensure the management of this fund is no other than Alliance-Bernstein, a player recognized throughout the world for the quality of its unique fundamental and quantitative research skills.

T-Class Units With the creation of the T-class unit Desjardins Funds, Desjardins Trust remains at the forefront of the mutual funds sector. This is a "long term" trend that meets a growing need among investors.

By introducing T-class units for the Desjardins Québec and Desjardins Dividend funds, Desjardins Trust offers three choice advantages to the holders: a fixed monthly revenue, a short-term tax advantage and simplified planning.

Since the return on investments – stemming from accrued interest, dividends or capital gain – are subject to different tax rules, the T-class unit funds offer a tax mechanism that allows holders to defer the payment of their capital gains tax until their units are sold.

MAESTRAL FUNDS As to the Maestral Funds, this family was enriched with a new member called the Maestral Canadian Dividend Fund. Launched in December 2002, this fund is managed by two holding companies: Beutel Goodman & Co and CDP Capital Marchés mondiaux. Based on a style that is complementary to the family's other Canadian equity funds, the Maestral Canadian Dividend Fund also constitutes an excellent choice for investors concerned with setting-up a solid foundation for their portfolios.

In addition to making F-class units available for all of the funds in 2002, the Maestral family notably launched the *Plani*maîtres, a new asset management program.

***Plani*maîtres: the New Asset Management Program** The market is increasingly evolving toward a distribution of securities that rests on fee-based rates rather than a system of commissions paid out to advisors and brokers on the basis of the number of transactions. This change is more profitable for the clients.

"THANKS TO THE DESJARDINS CANADIAN EQUITY VALUE FUND, DESJARDINS TRUST OFFERS THE CAISSES AN EXCELLENT PRODUCT TO PROPOSE TO THEIR MEMBERS FOR BUILDING THE CANADIAN EQUITY PORTION OF THEIR PORTFOLIO," EXPLAINS MARC DUBUC, VICE-PRESIDENT, MARKETING.

In answer to this trend, the Maestral family marketed an all-new asset management program. The new program consists in a structured investment approach that includes investment strategies tailored to suit the investor profile of each client. The program also includes a quarterly rebalancing process by asset category to protect a portion of the client's accrued gains.

Efficient Portfolios Maestral's new asset management program allows to build, in the long term, a true financial architecture. The Maestral solution is so flexible that by combining the portfolio models with other assets in Maestral Funds, it not only allows to meet our clients' general objectives, but also to meet their more specific goals.

Desjardins Trust has joined efforts with William Mercer – an independent actuarial corporation of international scale and reputation counting 130 offices in 40 countries – to design the core of different portfolio configurations and produce asset mix models. Note that all the portfolio models offered rest on a financial theory that earned its authors the highest distinction in the economic arena: a Nobel Prize in economics.

Network Support – Fund Tour 2002 Given that Desjardins Trust is a large-scale, competent producer, it always offers its distribution networks the tools required to carry out outstanding service delivery. Every year, when Desjardins Trust embarks on its Fund Tour, its privileged network, the Desjardins caisses, benefits from this know-how.

During this event, Desjardins Trust, while presenting detailed news regarding products, brings to the forefront the market analysis conducted by the experts. In doing so, it provides an opportunity for the caisses' financial planners and advisors to know and understand, in the slightest detail, the products they offer to their members. Desjardins Trust favours joining efforts with portfolio managers so that financial planners and advisors may dispose of veracious and striking arguments allowing them to well inform and reassure investors, namely when markets are particularly agitated.

In 2002, roughly 100 meetings held in all regions of Québec attracted a record number of close to 5,000 participants of the cooperative network.

Asset Custody and Administrative Services

Desjardins Trust is the leader in the asset custody and administrative services sector in Québec. In fact, it is currently using a computer system that allows it to adequately meet its clients' needs.

For the past few years, the role of depositary has been combined with the role of specialized accounting services provider. The dematerialization of securities, globalization of transactions, multiple currencies, investment accounting, complex financial reports, interaction of a growing number of managers, actuaries and auditors, and merging of client corporations have furthered the evolution of the offer in the area of asset custody and administrative services.

By providing itself with a new technological platform, Desjardins Trust plans to not only preserve its position as leader in Québec, but also to position itself in the top ranks of the Canadian market. The accrued flexibility of the new system will allow it to anticipate the evolution of the market for the great benefit of its clients.

"DESJARDINS TRUST HAS GIVEN ITSELF NOT ONLY THE MEANS TO ENSURE ITS CLIENTS ALL THE FLEXIBILITY REQUIRED TO MEET THEIR EXPECTATIONS, BUT ALSO THE MEANS TO ANTICIPATE THEIR NEEDS", STATES LISE CHARBONNEAU, VICE-PRESIDENT, BUSINESS DEVELOPMENT AND CLIENT RELATIONSHIPS OF THE CUSTODY AND PENSION PLANS DIVISION.

"THANKS TO ITS CLIENT TEAMS, DESJARDINS TRUST ASSURES THAT THE GLOBAL VISION OF ITS CLIENTS' NEEDS AND GOALS IS CONSTANTLY SHARED BY A TEAM OF PROFESSIONALS WHOSE MANDATE IS TO ENSURE THE FOLLOW-UP AND PERSONALIZATION OF THE PRIVATE MANAGEMENT SERVICE," SAYS JEAN BRUNELLE, VICE-PRESIDENT, SALES – PRIVATE MANAGEMENT CENTRES.

Private Management

New Method of Service Delivery In order to meet the needs of the investors and members of Desjardins, Desjardins Trust established its client teams, a concept that offers the investor direct contacts with both a representative of the portfolio manager and his private management advisor.

New Contribution to Portfolio Management Given that investment categories are increasingly segmented, portfolio management requires appealing to sectoral experts able to obtain and analyse the very specialized data needed to assess the investments.

This is why Desjardins Trust, thanks to the intervention of its subsidiary, Desjardins Investment Management, has secured the expertise and know-how of Elantis Investment Management – the institutional portfolio manager of the Desjardins Group – to ensure discretionary portfolio management for the benefit of its clients.

Elantis counts over 30 years of experience in the area of portfolio management. Master manager of the Desjardins Funds, it is also responsible for the pension funds and its assets under management exceed $11 billion. Note that Elantis' selection of securities rests on the research and analysis conducted by its partner, AllianceBernstein, world-renowned for its research services and the most important private manager in North America.

The mandate entrusted to Elantis consists in designing portfolio models, providing a selection of securities on the basis of stringent fundamental and quantitative analysis, and defining the global asset allocation strategy. This strategy, as well as the selection of securities, are then implemented by experts from Desjardins Investment Management on the basis of the investors' objectives and their asset allocation targets, as established by their profile.

Reinforcement of Ties to Other Components of the Group Desjardins Trust pursued its business positioning efforts undertaken almost 10 years ago – a positioning that leads it to focus on business lines that are complementary to the caisses' offer and to that of other Desjardins subsidiaries. In this context, the company decided to withdraw from the self-managed plans sector, since these products are now an integral part of the caisses' offer as well as of that of Desjardins Securities. In collaboration with these entities, all efforts were undertaken to ensure a smooth transition of Desjardins Trust's clients toward their new Desjardins business centre. The operation was well received by Desjardins' members and clients.

Group RRSP

Desjardins Trust, in conjunction with the Fédération des caisses Desjardins and Desjardins Financial Corporation, has proceeded to actualize the Desjardins Group RRSP, a group plan it produces and administers for the caisses network.

While during 2002, the product was reviewed to ensure that it continues to adequately meet the needs of the clients, preparations are ongoing to integrate, in 2003, the 70,000 accounts into the technological platform already used by Desjardins Trust for the management of its mutual funds. This platform distinguishes itself by its flexibility, its more detailed statements, as well as the speed with which it transmits information to the clients.

"THE DESJARDINS GROUP RRSP, ADMINISTERED BY DESJARDINS TRUST FOR THE COOPERATIVE SECTOR, ALLOWS THE CAISSES TO BE PRESENT IN THEIR COMMUNITY AND THUS, TO OCCUPY A CHOICE POSITION IN THIS MARKET," ASSURES MICHEL BOLDUC, VICE-PRESIDENT, SALES – CAISSES NETWORK.

Main Sectors of Activity at Desjardins Trust

Mutual Funds

- [illegible]
- [illegible]
- [illegible]

Asset Custody and Administrative Services

- Pension fund administration
- Settlement of transactions on national and international markets
- Income control and collection
- Capital cash inflow from matured or redeemed securities
- Management of foreign taxes
- Foreign exchange operations
- Trailing of market events
- Follow-up of proxy instruments
- Administration of derivative products

Private Management

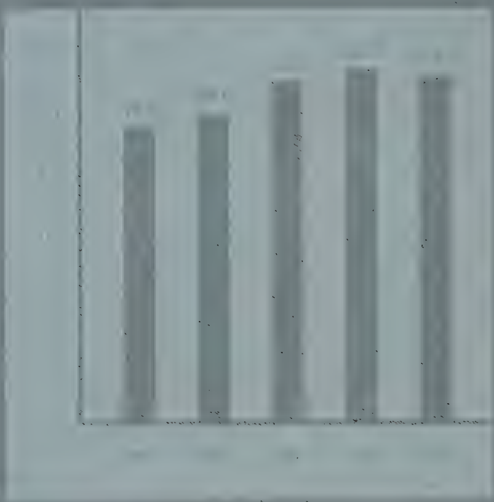
- Discretionary portfolio management
- Family of five private GPD funds
- Specialized trust services: estate liquidation, estate planning, asset management
- Financial planning

Group Savings plans

- Desjardins Group RRSP
- Deferred Profit-Sharing Plans (DPSP)
- Non-Registered Savings Plan (NRSP)
- Group plans – 7 specific agreements, 30 private funds

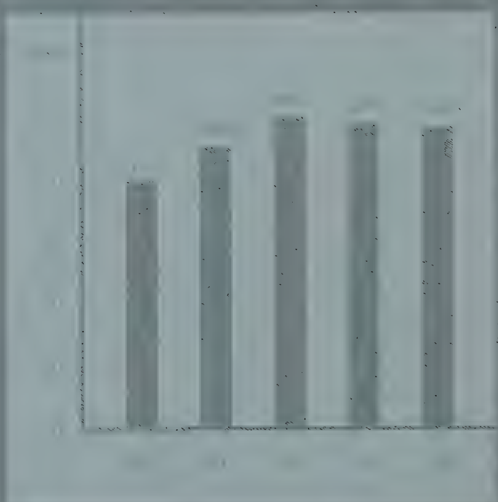
Financial Review 2002

Financial Highlights



Income before operating expenses (in M$)

Net earnings (in M$)



Assets under administration (in billions of $)

Desjardins funds' assets (in billions of $)

Management's Discussion and Analysis

This section of the financial review of Desjardins Trust's Annual Report presents the management's analysis of the financial situation and the operating results for the fiscal years ended on December 31, 2002 and 2001, including an outlook on the future.

Selected Financial Data
(in millions of dollars, unless otherwise stated)

	2002	2001	2000
Net fee income	$ 90.8	$ 88.6	$ 86.7
Net investment income	24.6	27.9	28.0
Operating expenses	93.5	92.9	92.0
Net earnings	14.2	14.5	13.5
Return on shareholders' equity	*22.0%*	*19.5%*	*20.1%*
Total assets	1,199.8	1,291.9	1,288.0
Volume of mutual funds outstanding	4,869.9	5,055.5	4,438.1
Assets under management	576.7	656.5	639.2
Assets under administration	$ 143,432.2	$ 145,675.3	$ 148,630.4

AN OVERVIEW OF THE RESULTS OF THE FOURTH QUARTER The results of the fourth quarter of 2002 show net earnings of $3.7 million, compared to $3.3 million for the same period in 2001. Given the negative effects of the markets on volume outstanding and the repositioning of certain products, the net fee income dropped by 6% in comparison to figures for the same quarter in 2001. Over this same period, the net investment income suffered a decline of 20% due to the combined effects of the drop in on-balance sheet assets and the re-evaluation of certain assets. However, these reductions in net income were compensated by the reduction in operating expenses.

A PRUDENT APPROACH Desjardins Trust ended the fiscal year on December 31, 2002, with earnings of $14.2 million, compared to $14.5 million in 2001. The earnings in 2002 represent a return on common shareholder's equity of 22.0%, compared to 19.5% at the end of the preceding fiscal year. These results reflect a sound and rigorous management approach.

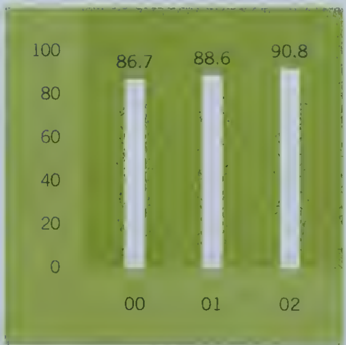
ANALYSIS OF RESULTS Figures show that the net fee income accounts for a growing proportion of the company's total income. Thus, in 2002, this income represented 79% of the total income of the company, that is an increase of 3% over figures for the preceding year. Desjardins Trust's fee-based activities are divided into four large categories that stem mainly from roughly $143 billion in administered assets: mutual funds, asset custody and administrative services, discretionary portfolio management, and the institutional savings plans. The net fee income rose 4.8% over the last two years, to reach $90.8 million in 2002, compared to $88.6 million the preceding year.

The income from mutual funds rose slightly in comparison to 2001, from $40.8 million to $41.5 million, despite the stock market downturn in 2002. While massive withdrawals were posted in the mutual fund industry, Desjardins Trust enjoyed a good performance in net sales of Desjardins and Maestral funds, which reached $355.1 million in 2002. Nevertheless, this performance was offset by negative returns on the markets which caused the volume of funds outstanding to drop by more than $550 million. Thus, as at December 31, 2002, the volume of mutual funds outstanding was $4.9 billion, compared to $5.1 billion on the same date the previous year.

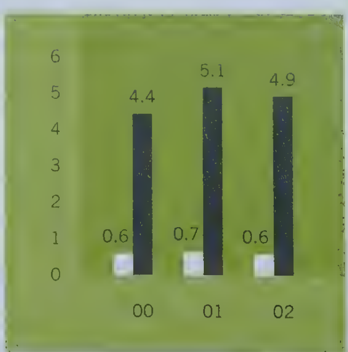
The asset custody and administrative services enjoyed an increase of 10% in comparison to last year, posting $19.5 million of income, compared to $17.7 million in 2001. This growth is attributable to new mandates obtained, additional mandates granted by our existing clients, as well as growth experienced in business volume.

The discretionary portfolio management activities ended the year with $5.5 million in income, compared to $4.7 million for the preceding year. This growth is explained by a 15% increase in the number of clients, for a total of $576.7 million in volume outstanding under management, as at December 31, 2002. The institutional savings plans enjoyed an increase of 4%, with 1.5 million accounts under administration. In addition, the reinforcement of the linkage with other components of Desjardins Group, which took the shape of a withdrawal from the self-directed plans, caused a slightly more than 1% reduction of our fee income.

Net investment income amounted to $24.6 million, while it amounted to $27.9 million in 2001. This reduction is explained, on the one hand, by the difficult stock market conditions causing the company to re-evaluate a number of its assets, which affected the investment results by $2.5 million. On the other hand, the gradual reduction of the mortage loans portfolio, as planned in the framework of its business positioning efforts, caused a reduction in investment income. As at December 31, 2002, this portfolio amounted to $332.2 million, compared to $384.1 million the preceding year. It comprises 42% of loans guaranteed by the government, 50% of residential loans and 8% of commercial loans.



Net Fee Income
(in M$)



Volume Outstanding
(in billions of $)

□ Discretionary management
■ Mutual funds

Operating expenses were posted at $93.5 million, compared to $92.9 million for the previous year. In 2002, the expenses linked to human resources rose by $2.7 million, or by 5%, due to an increase in salary of the company's employees, and to the expenses incurred by the repositioning of certain sectors of activity. The other operating expenses dropped by 5%, due to cost-control measures implemented in 2002 and during the preceding fiscal years. This reduction stems mainly from commercialization activities and from management expenses linked to our mortgage loans portfolio.

Income taxes amounted to $7.7 million in 2002, compared to $9.1 million in 2001. This reduction is explained by a 2% lower income tax rate in 2002 and by a reduction in earnings before taxes.

Desjardins Trust ended the fiscal year with a total of $1.2 billion in assets, compared to $1.3 billion as at December 31, 2001.

The assets under administration (including the assets under management) amounted to $144.6 billion as at December 31, 2002, compared to $147.0 billion in 2001. This decrease is attributable to the negative effects of the markets on the volume outstanding, despite considerable net sales posted in 2002.

REGULATORY CONTEXT Desjardins Trust is incorporated under the laws of Québec and must report on its activities to the Inspector General of Financial Institutions of Québec. Desjardins Trust is also subject to the regulations of the Bureau des services financiers. In addition, since Desjardins Trust is a deposit-taking institution, it is subject to the regulations of the Québec Deposit Insurance Bureau. These regulations include standards for sound commercial and financial practices which are intended to guarantee the prudent management of the member institutions.

Desjardins Trust's debt may not exceed 20 times its capital, in accordance with the standards applied by the Inspector General of Financial Institutions of Québec. As at December 31, 2002 and 2001, its debt/equity ratio was 17.1.

BUSINESS RISKS Desjardins Trust ensures the constant monitoring of its business risks. It has adopted policies and procedures regarding credit, interest rate, liquidities, market and operating risks. When appropriate, these policies and practices are submitted to the operating, investment and auditing committees. In additon, they are subject to the approval of the Board of Directors, the members of which review these periodically so as to ensure that they meet current needs.

Credit risk is the risk of financial loss resulting from a debtor's incapacity to honor his commitments to the company in their entirety. Over a number of years, the company has substantially reduced the size of its mortgage, industrial and commercial loans portfolio. Almost half of the portfolio is guaranteed by government bodies. The company issued a general credit policy and a general risk management policy.

Interest-rate risk corresponds to the potential repercussions of interest-rate fluctuations on earnings and the net value of assets. To offset this risk, the company issued a matching policy that is approved by the Board of Directors following a review by the investment committee. Coverage of the interest-rate risk is ensured either directly on the balance sheet, or by interest-rate swaps. In order to properly assess the interest-rate risk, the company issues a report on the duration expressed in dollars over capital. The basis of risk tolerance represents a small fraction of the capital available.

Liquidities risk represents the risk of encountering difficulties in gathering the funds required to honor our commitments. Liquidities management aims to guarantee sufficient funds allowing to honor all financial commitments once these are payable. The policies ensure the proactive management of the balance sheet items while solid mechanisms serve to measure the liquidities.

Market risk, that is the risk stemming from stock market fluctuations, may impact the evolution of our main business line: our mutual funds. To offset this business risk, each of Desjardins Trust's families of mutual funds comprises funds that are less sensitive to short-term market fluctuations. Furthermore, its sales approach rests on an all-inclusive concept of the financial life cycles of the potential buyer, by which the investment horizon and risk tolerance are taken into account to establish the buyer's investor profile and long-term needs.

Operating risk is linked to the possibility of suffering important losses caused by an unequation or a default attributable to a procedure, a person, an internal or external system, or an external event. Among the means provided to offset this risk are various insurance protections, the analysis and review of financial and administrative reports, as well as periodical reassessments of the control measures by internal auditors.

OUTLOOK Desjardins Trust plans to pursue its positioning efforts as a mutual funds producer and assembler. Thus, it will continue to actively develop this priority sector of activity, namely by promoting its families of mutual funds in the Desjardins networks, including the caisses, the Laurentian Financial Services–a subsidiary of Desjardins Financial Security–and Desjardins Securities. In addition, just as it has been doing since 2001, Desjardins Trust will pursue the distribution of its products and services through the market intermediary networks, both in Québec and elsewhere in Canada. Parallel to this, Desjardins Trust is working to negotiate partnerships and acquisitions with a view to speeding up the growth of its assets, diversifying its products and consolidating its presence in the intermediary networks.

Moreover, in order to further the growth of its activities in the area of private portfolio management, Desjardins Trust has reviewed its distribution methods in the private management sector. First, it has repositioned its network of private management centres on the basis of fee income products, using discretionary portfolio management as an anchorage point. Second, it is pursuing its service delivery in reference mode for the members of the caisses who wish to entrust their portfolio to the discretionary management division.

Lastly, Desjardins Trust, the leader in Québec in asset custody and administrative services with a close to 55% market share, and a major player in the province in the group savings plans sector, is doing everything it can to maintain its competitive position in these sectors of activity.

Management Report

The consolidated financial statements of Desjardins Trust Inc. are the responsibility of the Corporation's Management and have been reviewed and approved by the Board of Directors. These consolidated financial statements were prepared by Management in accordance with Canadian generally accepted accounting principles and comprise data based on Management's best estimates and on careful judgment. The choice of accounting principles and methods is Management's responsibility.

The Corporation maintains internal control systems designed to ensure the relevance and accuracy of the financial information and the safeguarding of assets. The systems are evaluated regularly by the Internal Audit Department.

Management recognizes its responsibility to conduct the Corporation's business in accordance with the requirements of relevant laws and generally accepted financial standards and principles, and to maintain appropriate supervisory standards in its operations.

The Board of Directors exercises its supervisory role over the consolidated financial statements through its Audit Committee, made up exclusively of members who are not officers of the Corporation.

The duties of this Committee are to examine the consolidated financial statements and recommend their approval to the Board of Directors, and to examine the internal control and information security systems and any other items related to the Corporation's accounting system and finances. To accomplish this, the Audit Commitee meets regularly with the internal and external auditors, with or without the Corporation's officers present, to examine their respective audit plans and discuss the results of their work. It is the Audit Committee's responsibility to recommend the appointment of the external auditors or the renewal of their mandate.

The external auditors, Samson Bélair/Deloitte & Touche, General Partnership, appointed by the shareholder at the annual general meeting, have audited the Corporation's consolidated financial statements and their report, outlining their audit scope as well as their opinion on the consolidated financial statements, is presented hereafter.

Jean Landry, CA
PRESIDENT AND CHIEF OPERATING OFFICER

François Gagnon
SENIOR VICE-PRESIDENT, FINANCE

Montreal
February 7, 2003

Auditors' Report

TO THE SHAREHOLDER OF DESJARDINS TRUST INC. We have audited the consolidated balance sheets of Desjardins Trust Inc. as at December 31, 2002, and the consolidated statements of retained earnings, earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2001, and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 8, 2002.

Samson Bélair
Deloitte & Touche

CHARTERED ACCOUNTANTS

Montreal
February 7, 2003

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)

	2002	2001
ASSETS (note 14)		
Cash and cash equivalents	$ 314,261	$ 316,280
Mortgage, industrial and commercial loans **(notes 2, 3)**	332,229	384,092
Loans to a company under common control **(note 4)**	—	67,247
Securities **(note 5)**	463,530	451,791
Interest receivable	7,659	8,823
Other assets **(note 6)**	82,117	63,705
	$ 1,199,796	$ 1,291,938
LIABILITIES (note 14)		
Secured deposits and interest payable **(note 7)**	$ 1,059,651	$ 1,162,426
Accounts payable and other **(note 8)**	57,376	48,253
	1,117,027	1,210,679
SHAREHOLDERS' EQUITY (note 9)		
Capital stock **(note 10)**	59,187	59,187
Contributed surplus **(note 10)**	3,989	3,989
Retained earnings	19,593	18,083
	82,769	81,259
	$ 1,199,796	$ 1,291,938

The accompanying notes are an integral part of these financial statements.

On behalf of the Board,

Jean Landry
DIRECTOR

Monique F. Leroux
DIRECTOR

Consolidated Retained Earnings

…nded December 31 (in thousands of doll…

	2002	2001
Balance, beginning of year	**$ 18,083**	$ 24,594
Net earnings	**14,154**	14,494
Dividends on common shares	**(12,000)**	(20,000)
Dividends on Series 1 preferred shares	**(644)**	(1,005)
Balance, end of year (note 10)	**$ 19,593**	$ 18,083

Consolidated Earnings

…s ended December 31 (in thousand…

	2002	2001
Income (note 14)		
Fee income	**$ 131,764**	$ 125,848
Managers' fees and commissions	**40,992**	37,265
Net fee income	**90,772**	88,583
Investment income	**63,456**	79,519
Interest expense	**38,850**	51,624
Net investment income	**24,606**	27,895
Income before operating expenses (note 20)	**115,378**	116,478
Operating expenses (note 14)		
Salaries and employee benefits	**54,572**	51,895
Other operating expenses	**38,913**	41,019
	93,485	92,914
Earnings before income taxes	**21,893**	23,564
Income taxes (note 11)	**7,739**	9,070
Net earnings	**$ 14,154**	$ 14,494

The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flows

Years ended December 31 (in thousands of dollars)

	2002	2001
Cash flows from operating activities		
Net earnings	$ 14,154	$ 14,494
Adjustments for:		
Amortization of discount on loan to a company under common control	(528)	(517)
Future income taxes	(447)	(1,085)
Depreciation of fixed assets	3,828	3,726
Amortization of deferred selling commissions	511	147
Loss (gain) on disposals of securities	(843)	1,102
Write-down of securities	2,476	—
Decrease (increase) in interest receivable	1,256	(410)
Decrease in interest payable	(1,410)	(4,655)
Net changes in other receivables and payables	(7,330)	(10,178)
	11,667	2,624
Cash flows from financing activities		
Secured deposits, net	(99,476)	16,604
Redemption of preferred shares	—	(1,911)
Dividends paid on common shares	(12,000)	(20,000)
Dividends paid on Series 1 preferred shares	(644)	(1,005)
	(112,120)	(6,312)
Cash flows from investing activities		
Mortgage, industrial and commercial loans, net	51,863	47,566
Loans to a company under common control	67,775	32,103
Acquisitions of securities	(800,709)	(419,298)
Disposals of securities	526,877	179,385
Maturities of securities	260,460	107,079
Fixed assets	(3,188)	(3,597)
Security deposits	(2,500)	(9,500)
Deferred selling commissions	(2,144)	(1,608)
	98,434	(67,870)
Cash and cash equivalents		
Decrease	(2,019)	(71,558)
Balance, beginning of year	316,280	387,838
Balance, end of year	$ 314,261	$ 316,280
Cash and deposits at Caisse centrale Desjardins	$ 37,913	$ 32,632
Money market securities	276,348	283,648
Cash and cash equivalents, end of year	$ 314,261	$ 316,280

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002 and 2001

(All tabular amounts are in thousands of dollars unless otherwise stated)

Desjardins Trust Inc. (the "Corporation") is a trust company incorporated under the *Act respecting trust companies and savings companies* and offers a range of services typical of a trust company. The Corporation is a wholly-owned subsidiary of Desjardins Specialized Financial Services Management Inc. (DSFSM). The Corporation also offers portfolio management services to individual investors through one of its subsidiaries.

Note 1 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

In preparing the financial statements, Management is required to make estimates and assumptions. In Management's opinion, the financial statements have been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below. Actual results may differ from Management's estimates.

CONSOLIDATION The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Desjardins Investment Management Inc. (DIM) and Desjardins Trust Investment Services Inc. (DTIS).

CASH EQUIVALENTS Cash equivalents are limited to investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and have original maturities of three months or less.

MORTGAGE, INDUSTRIAL AND COMMERCIAL LOANS Mortgage, industrial and commercial loans are stated at their outstanding principal balances, net of the provisions for loan losses. If necessary, a pledge or other charge is obtained from the client as collateral. Loans are considered to be impaired when, in Management's opinion, there is a reasonable doubt as to the collectibility of some portion of the principal or interest. When the principal or interest repayment is 90 days overdue, interest is no longer accrued, uncollected interest accrued on overdue loans is charged to income for the year, and the loans are classified as impaired unless they are guaranteed by the Canadian or a provincial government or are in the process of being collected. When loans are considered impaired, their carrying value is reduced to their estimated realizable amount, measured by discounting expected future cash flows at effective market interest rates. This loss in value is recorded as a charge for loan impairment.

Subsequent interest payments received on impaired loans are recorded as income only if there is no specific provision and if, in Management's opinion, there is no doubt as to the recovery of principal. An impaired loan can only revert to performing status if principal and interest payments are current and Management no longer has any doubt as to its collectibility.

In general, restructured loans bear interest at a lower rate than the market rate obtained by new borrowers for similar loans. On the restructuring date, the investment recognized as a restructured loan is recorded at the amount of net cash flows receivable under the new loan terms, discounted at market interest rate when it is established that the loan is impaired. At the time of restructuring, the reduction in investment is recognized as a charge for loan impairment, unless a provision has already been recorded, in which case the provision is adjusted.

Foreclosed assets are recorded at the lower of their fair value on the foreclosure date and the carrying value of the related loan. Interest income is included in investment income when it is earned.

PROVISIONS FOR MORTGAGE, INDUSTRIAL AND COMMERCIAL LOAN LOSSES The Corporation maintains a provisions for loan losses account at an amount deemed adequate to absorb probable loan portfolio credit losses. The account balance is increased by provisions for loan losses charged to the statement of earnings and decreased by write-offs and recoveries on loans for which provisions have already been made.

The provisions for loan losses account is made up of general and specific provisions. Specific provisions are established for each loan considered impaired following a regular review of the portfolio. In addition, general provisions are established to absorb credit losses due to a deterioration in credit quality with regard to the overall risk related to loans for which specific provisions cannot yet be determined.

Loans are written off after all restructuring or collection activities have been undertaken and the possibility of further recovery is considered unlikely.

SECURITIES Securities are held for investment purposes and are acquired with the initial intention of holding them to maturity, or until more profitable transactions are possible. Bonds and preferred shares are presented at cost, net of amortization. Common shares, investment funds units and money market securities witch original maturities of more than three months are recorded at cost. Gains and losses realized on the sale of securities and the write-downs necessary to reflect permanent declines in values are charged to investment income in the year in which they occur. Interest income is included in investment income when it is earned.

Note 1 Significant accounting policies (continued)

FIXED ASSETS Fixed assets are recorded at cost less accumulated depreciation and are depreciated over their estimated useful lives using on the straight-line method.

Depreciation periods:

Furniture and licence	10 years
Computer equipment	3 to 5 years
Telephones and fax machines	3 years
Leasehold improvements	Lease term plus first renewal option

DEFERRED SELLING COMMISSIONS – INVESTMENT FUNDS Selling commissions relating to the Maestral Funds are recorded at cost and amortized following the straight-line method over a period of six years. The non-amortized portion of the deferred selling commissions was written off during the year since it is unlikely that non-amortized costs will be recovered through future products.

REVERSE REPURCHASE AGREEMENTS AND REPURCHASE AGREEMENTS The Corporation enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements) and sales of securities under agreements to repurchase (repurchase agreements). These agreements are treated as collateralized lending and borrowing transactions and are carried in "Other assets" and "Accounts payable and other". Interest earned or incurred on these agreements is included in investment income or interest expense.

DEFERRED COSTS Deferred costs, included under "Other assets", represent computer systems development costs. These capitalized costs will be amortized on a straight-line basis when the systems are put into operation, which is expected to be in 2004.

INCOME TAXES The Corporation uses the tax liability method. Under this method, future income tax assets or liabilities are determined for all temporary differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates expected to apply in the years in which the assets are expected to be realized or the liabilities settled. Future income tax assets are recognized when it is more likely than not that they will be realized.

The Corporation accounts for future income tax assets and liabilities under "Other assets" and "Accounts payable and other".

EMPLOYEE FUTURE BENEFITS The employees of the Corporation benefit from the pension plan of the Mouvement des caisses Desjardins through a multi-employer defined benefit plan. The Corporation also provides life insurance, as well as health and dental coverage, to its employees under the Mouvement des caisses Desjardins multi-employer group insurance plan.

The Corporation applies the recommendations for defined contribution plans since plan costs and funding are not allocated among the member corporations of the group. The cost of these benefits is charged to earnings as expenses are incurred.

FOREIGN CURRENCY TRANSLATION Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing at year-end. Revenues and expenses are converted at the exchange rate in effect on the date of the underlying transactions. Gains and losses on the translation of foreign currencies are included in investment income.

DERIVATIVE FINANCIAL INSTRUMENTS The Corporation uses derivative financial instruments to hedge its risks with respect to interest-rate and foreign currency risk. When derivative financial instruments are used for hedging purposes, the resulting gains and losses are deferred and amortized to investment income over the term of the item hedged. The derivative financial instruments used most frequently are interest-rate and foreign currency swaps and forward contracts.

ASSETS UNDER ADMINISTRATION AND ASSETS UNDER MANAGEMENT Trust assets under administration are not included on the consolidated balance sheets. They are kept separate from the Corporation's funds and are recorded on the Corporation's books to show the accounts to which they belong. These fees are earned for providing trust, discretionary management and custodial services. Management fees are earned for providing investment management and mutual fund services. These fees are recognized when the services are provided.

COMPARATIVE FIGURES Certain comparative figures for the prior year have been reclassified to conform to the current year's presentation.

NEW ACCOUNTING STANDARD PENDING ADOPTION In 2001, the CICA issued Accounting Guideline 13, "Hedging Relationships". This Guideline identifies the circumstances in which hedge accounting is appropriate and discusses the identification, designation, documentation and effectiveness of hedging relationships and the discontinuance of hedge accounting, but does not cover hedge accounting techniques. The provisions of the new Guideline will be applied to fiscal years beginning on or after July 1, 2003. The Corporation intends to adopt this Guideline effective January 1, 2004. The impact of the adoption of this Guideline on the 2004 financial statements has not yet been determined.

Note 2 Mortgage, industrial and commercial loans

Mortgage, industrial and commercial loans are as follows:

	2002	2001
Mortgage loans		
Guaranteed by the governments	$ 139,538	$ 158,328
Residential	164,860	200,341
Commercial	27,672	22,357
	332,070	381,026
Industrial and commercial loans	159	3,066
	$ 332,229	$ 384,092

Impaired loans included in mortgage, industrial and commercial loans are detailed as follows:

	2002 Loans	2002 Foreclosed assets	2002 Specific provisions	2002 Net loans	2001 Loans	2001 Foreclosed assets	2001 Specific provisions	2001 Net loans
Mortgage loans								
Guaranteed by the governments	$ —	$ 180	$ —	$ 180	$ —	$ 174	$ —	$ 174
Residential	228	319	316	231	303	332	357	278
Commercial	—	—	—	—	177	—	116	61
	$ 228	$ 499	$ 316	$ 411	$ 480	$ 506	$ 473	$ 513

The maturities and yields of performing mortgage, industrial and commercial loans are as follows:

2002	Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		5 years and over		Total	
Mortgage loans										
Guaranteed by governments	$ 53,669	5.84%	$ 46,850	6.22%	$ 35,196	6.16%	$ 3,642	5.46%	$139,357	6.04%
Residential	64,507	6.18	55,993	6.68	39,846	6.51	6,542	5.99	166,888	6.42
Commercial	1,596	6.68	5,890	7.46	14,510	7.01	6,054	6.59	28,050	7.00
	119,772	6.04	108,733	6.53	89,552	6.45	16,238	6.09	334,295	6.31
Industrial and commercial loans	159	7.43	—	—	—	—	—	—	159	7.43
	$119,931	6.04%	$108,733	6.53%	$ 89,552	6.45%	$ 16,238	6.09%	334,454	6.31
General provision									2,636	—
									$331,818	—%

2001	Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		5 years and over		Total	
Mortgage loans										
Guaranteed by governments	$ 62,419	6.49%	$ 63,754	6.63%	$ 27,620	6.86%	$ 4,361	6. 07%	$ 158,154	6.60%
Residential	62,173	6.64	96,912	6.68	41,230	7.09	2,066	6.52	202,381	6.75
Commercial	2,369	7.10	2,048	7.13	12,597	7.38	5,539	7.36	22,553	7.32
	126,961	6.57	162,714	6.67	81,447	7.06	11,966	6.74	383,088	6.72
Industrial and commercial loans	—	—	3,066	8.33	—	—	—	—	3,066	8.33
	$ 126,961	6.57%	$ 165,780	6.70%	$ 81,447	7.06%	$ 11,966	6.74%	386,154	6.73
General provision									2,575	—
									$ 383,579	—%

Note 3 Provisions for mortgage, industrial and commercial loan losses

	2002	2001
Balance, beginning of year	$ 3,048	$ 3,490
Write-off of loans	(96)	(442)
Balance, end of year	$ 2,952	$ 3,048

Note 4 Loans to a company under common control

	2002	2001
Loans to a company under common control (a, b)	$ —	$ 67,247

(a) In 2001, the loan of $58,447,000 bore interest at an annual rate corresponding to the average of the interest rates earned on earning assets. The loan was repayable on the first day of each month or, under an agreement between the parties, as the transferred assets were received.

(b) The loan in the amount of $8,800,000 bears interest at 2.00% and was repayable in quarterly instalments through any monetary amounts receivable net of expenses.

The loans were repaid in full during 2002.

Note 5 Securities

	2002 Book value	2002 Market value	2001 Book value	2001 Market value
Fixed-income debt securities				
Governments				
Canada	**$ 150,363**	**$ 151,077**	$ 44,071	$ 44,777
Provinces	**99,122**	**100,351**	97,062	101,197
Municipalities and school boards	**11,567**	**11,731**	6,354	6,474
Corporations	**163,104**	**168,534**	251,157	259,431
	424,156	**431,693**	398,644	411,879
Shares and investment fund units	**39,374**	**37,585**	53,147	52,067
	$ 463,530	**$ 469,278**	$ 451,791	$ 463,946

During the year 2002, the Corporation recorded a write-down on securities for an amount of $2,476,000.

Maturities and yields [(a)]

2002	Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		5 years and over		Total	
Fixed-income debt securities										
Governments										
Canada	**$146,167**	**3.33%**	**$ 73**	**4.13%**	**$ 4,072**	**5.50%**	**$ 51**	**5.42%**	**$150,363**	**3.38%**
Provinces	**61,313**	**4.29**	**35,624**	**2.95**	**1,360**	**4.17**	**825**	**5.05**	**99,122**	**3.81**
Municipalities and school boards	**3,446**	**4.21**	**5,645**	**4.59**	**1,489**	**4.84**	**987**	**5.49**	**11,567**	**4.58**
Corporations	**90,231**	**4.99**	**56,339**	**6.28**	**175**	**4.35**	**16,359**	**5.53**	**163,104**	**5.49**
	301,157	**4.03**	**97,681**	**4.97**	**7,096**	**5.08**	**18,222**	**5.51**	**424,156**	**4.32**
Shares and investment fund units	**9,840**	**8.10**	**—**	**—**	**—**	**—**	**29,534**	**0.01**	**39,374**	**2.03**
	$310,997	**4.16%**	**$ 97,681**	**4.97%**	**$ 7,096**	**5.08%**	**$ 47,756**	**2.11%**	**$463,530**	**4.13%**

2001	Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		5 years and over		Total	
Fixed-income debt securities										
Governments										
Canada	$ 29,491	2.57%	$ 10,445	5.50%	$ 4,047	5.52%	$ 88	5.50%	$ 44,071	3.54%
Provinces	37,771	4.00	57,460	7.77	1,132	5.02	699	5.97	97,062	6.26
Municipalities and school boards	2,635	4.79	2,372	4.82	843	5.31	504	5.77	6,354	4.95
Corporations	123,563	5.40	65,213	6.01	45,872	6.61	16,509	5.47	251,157	5.78
	193,460	4.69	135,490	6.70	51,894	6.47	17,800	5.50	398,644	5.64
Shares and investment fund units	13,193	6.84	6,572	6.58	—	—	33,382	0.01	53,147	2.52
	$ 206,653	4.83%	$ 142,062	6.69%	$ 51,894	6.47%	$ 51,182	1.92%	$ 451,791	5.27%

[(a)] The classification of securities according to the remaining terms is established based on the contractual maturity date of the securities. Securities which do not have a maturity date are classified as 5 years and over.

Note 6 Other assets

	2002	2001
Fixed assets		
Cost	$ 21,590	$ 20,909
Accumulated depreciation	10,705	9,384
	10,885	11,525
Accounts receivable	28,284	23,888
Reverse repurchase agreements	14,656	10,557
Security deposits	12,000	9,500
Future income tax assets	6,572	6,515
Deferred costs	4,111	—
Deferred selling commissions	3,094	1,461
Other	2,515	259
	$ 82,117	$ 63,705

Depreciation of fixed assets recorded in the Consolidated Statements of Earnings is $3,828,000 in 2002 ($3,726,000 in 2001).

Note 7 Secured deposits and interest payable

	2002	2001
Secured deposits	$ 1,043,545	$ 1,143,021
Interest payable and other	16,106	19,405
	$ 1,059,651	$ 1,162,426

Maturities and yields

2002	Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		Total	
Secured deposits	$800,370	1.63%	$170,403	4.46%	$ 72,772	4.52%	$ 1,043,545	2.29%

2001	Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		Total	
Secured deposits	$ 913,118	2.50%	$ 177,158	4.61%	$ 52,745	5.43%	$1,143,021	2.96%

An equivalent amount of assets is held specifically to collateralize the deposits and the interest payable.

Note 8 Accounts payable and other

	2002	2001
Accounts payable and other	$ 40,814	$ 35,383
Repurchase agreements	14,675	10,593
Future income tax liabilities	1,887	2,277
	$ 57,376	$ 48,253

Note 9 Commitment to maintain common shareholders' equity

Desjardins-Laurentian Financial Corporation Inc. (DLFC) is committed, under agreements with credit-rating agencies, to maintain common shareholders' equity of at least $5,000,000 in each of DSFSM Inc. and its subsidiaries, Desjardins Trust Inc. and Crédit Industriel Desjardins inc., until December 31, 2002. The Fédération des caisses Desjardins du Québec has unconditionally guaranteed DLFC's commitment.

These agreements are irrevocable. However, they may be terminated by providing five years' prior notice or if the credit-rating agencies indicate that this commitment is no longer necessary.

Note 10 Shareholders' equity

AUTHORIZED 2,400,000 common shares carrying one vote per share, with a par value of $25 each.

880,000 Series 1 preferred shares with a par value of $25 each, preferred cumulative dividend at a rate equal to 70% of the daily prime rate, redeemable at the price of $25 per share, or cancellable by mutual agreement.

	2002	2001
Issued and paid		
1,487,480 common shares	$ 37,187	$ 37,187
880,000 Series 1 preferred shares	22,000	22,000
	$ 59,187	$ 59,187

In 2001, the Corporation redeemed 91,300 preferred shares for a total amount of $1,911,000.

In December 2001, the Corporation cancelled 92,000 preferred shares redeemed during 2001 and December 2000. The surplus of the par value over the price paid of $1,924,000, i.e. $376,000, was recognized in contributed surplus.

A special surplus of $1,924,000 was paid with respect to the redemption of 92,000 preferred shares in 2001 and 2000, once the additional letters patent were obtained.

Note 11 Income taxes

Income taxes include the following amounts:

	2002	2001
Current	$ 8,186	$ 10,155
Future	(447)	(1,085)
	$ 7,739	$ 9,070

Consolidated earnings are subject to Canadian income taxes. The effective income tax rate on consolidated earnings will vary from year to year according to changes in the statutory rate structure. The consolidated provision for income taxes on the consolidated statement of earnings differs from the provision obtained by applying the Canadian statutory tax rate for the following reasons:

	2002	2001
Income taxes at the Canadian statutory rate of 35.16% in 2002 (37.16% in 2001)	$ 7,700	$ 8,757
Change in income taxes resulting from the following:		
Impact on future income tax assets of a tax rate reduction	(208)	(362)
Other non-taxable or non-deductible items, net	258	230
Non-taxable dividends	(446)	(347)
Non-recurring events	435	792
	$ 7,739	$ 9,070

Future income tax assets and liabilities are as follows:

	2002	2001
Future income tax assets		
Temporary differences		
Provisions for loan losses	$ 921	$ 1,016
Miscellaneous provisions and accrued liabilities	4,265	3,098
Other	1,295	1,724
	6,481	5,838
Losses carried forward	91	677
	6,572	6,515
Future income tax liabilities		
Administration expenses receivable	1,060	1,074
Other	827	1,203
	1,887	2,277
Future income tax assets, net	$ 4,685	$ 4,238

Note 11 Income taxes (continued)

A subsidiary has non-capital tax losses for which future income tax assets have been recorded. These losses may be carried forward and used to reduce taxable income in future years as follows:

2006	$ 10
2007	265
	$ 275

Note 12 Employee future benefits

The employees of the Corporation benefit from a defined benefit pension plan through a multi-employer pension plan of the Mouvement Desjardins. On January 1, 2002, the date of the most recent actuarial valuation, the plan reported a surplus of $415,400,000. The Board of Directors of the Fédération des caisses Desjardins du Québec agreed that participants should profit from part of the surplus assets available. The employees and the employer benefit from a partial contribution holiday amounting to 50% of the contributions usually paid for the period from July 1, 2001 to December 27, 2003.

The Corporation's contribution to the pension plan, charged to earnings and paid to the plan, amounted to $2,072,251 in 2002 ($2,694,854 in 2001).

The Corporation's contribution to the various insurance plans, charged to earnings and paid to the plan, amounted to $1,795,244 in 2002 ($1,631,681 in 2001). No assets have been set aside with respect to post-retirement group insurance coverage.

Note 13 Consolidated statements of cash flows

During the year, $40,260,000 in interest ($54,941,000 in 2001) and $11,039,000 in income taxes were paid ($15,909,000 in 2001).

Note 14 Related party transactions

The Corporation carries out transactions with the parent company, companies under common control and the other Mouvement Desjardins member entities. These transactions are summarized in the table below:

	2002	2001
Income		
Fee income	**$ 17,903**	$ 18,130
Investment income	**5,716**	7,879
	$ 23,619	$ 26,009
Expenses		
Managers' fees and commissions	**$ 39,055**	$ 35,326
Interest expense	**693**	947
Salaries and employee benefits	**3,869**	4,323
Other	**10,211**	10,671
	$ 53,828	$ 51,267

These transactions include investment and fee income. Expenses mainly comprise managers' fees and commissions, interest paid on secured deposits, group insurance and pension plan expenses, rental, and management fees.

These transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 14 Related party transactions (continued)

The balances of related party transactions included in the Consolidated Balance Sheets as at December 31, are as follows:

	2002	2001
Assets		
Cash and cash equivalents	$ 109,744	$ 85,580
Loans to a company under common control	—	67,247
Securities	51	50
Other assets	4,215	4,016
	$ 114,010	$ 156,893
Liabilities		
Secured deposits and interest payable	$ 6,285	$ 11,575
Accounts payable and other	10,246	9,164
	$ 16,531	$ 20,739

Note 15 Estimated fair value of on-balance sheet financial instruments

The amounts indicated below reflect the fair value of financial instruments recognized on the Corporation's balance sheet, calculated according to the valuation methods and assumptions described below.

Although the fair value is intended to reflect the estimated amounts against which instruments may actually be exchanged in connection with a transaction between contracting parties, some of the Corporation's financial instruments have no market. Thus, they were attributed a value which takes into account interest rate and market rate fluctuations, as well as the portfolio's credit risk since the issuance of these instruments.

Interest-rate sensitivity is the main cause for the fluctuation in the fair value of the Corporation's financial instruments. The carrying amount of most of the Corporation's financial instruments is not adjusted to take into account the increases and decreases in the fair value related to interest-rate fluctuations since the Corporation's intention is to realize the value of these instruments over time by holding them until maturity.

The estimated fair value of financial instruments as at December 31, is as follows:

	2002 Book value	2002 Fair value	2001 Book value	2001 Fair value
Assets				
Cash and cash equivalents	$ 314,261	$ 314,259	$ 316,280	$ 316,292
Mortgage, industrial and commercial loans	332,229	337,211	384,092	393,678
Loans to a company under common control	—	—	67,247	70,027
Securities	463,530	469,278	451,791	463,946
Interest receivable	7,659	7,659	8,823	8,823
Accounts receivable and other	47,584	47,584	40,381	40,381
Liabilities				
Secured deposits and interest payable	1,059,651	1,064,774	1,162,426	1,176,072
Accounts payable and other	46,273	46,273	38,347	38,347

The following methods and assumptions have been used to determine the estimated fair value of on-balance sheet financial instruments:

FINANCIAL INSTRUMENTS AT CARRYING VALUE The estimated fair value of certain financial instruments recorded on the balance sheet is equal to their carrying value because they are short-term items. These financial instruments include the following items: "Cash", "Interest receivable", "Accounts receivable and other", as well as "Accounts payable and other".

CASH EQUIVALENTS The estimated fair value is determined based on market rates, when available. If such rates are not available, the estimated fair value is calculated using the market rates for similar money market securities.

MORTGAGE, INDUSTRIAL AND COMMERCIAL LOANS The fair value of loans is estimated by discounting cash flows at the market rates for loans with a similar credit risk as at December 31, applied to the expected amounts at maturity. For certain variable-rate loans whose rates are frequently adjusted, the estimated fair value is deemed to correspond to their carrying value. For impaired loans, the fair value is equal to the carrying value in accordance with the valuation methods described in Note 1.

Note 15 Estimated fair value of on-balance sheet financial instruments (continued)

LOANS TO A COMPANY UNDER COMMON CONTROL The fair value of these loans is estimated by discounting cash flows for mortgage loans transferred to an affiliated company at the market rates for loans with a similar credit risk as at December 31, applied to the expected amounts at maturity, adjusted to take into account anticipated repayments, if any.

SECURITIES The estimated fair value of securities is shown in Note 5 to the financial statements. It is based on quoted market prices, when available. If such prices are not available, the estimated fair value is determined using the quoted market prices of similar securities.

SECURED DEPOSITS AND INTEREST PAYABLE The fair value of deposits whose maturity has not been determined is assumed to correspond to their carrying amount. The estimated fair value of fixed-rate deposits is determined by discounting the contractual cash flows at the current market interest rates for deposits bearing similar conditions and risks.

Note 16 Off-balance sheet financial instruments

In the normal course of business, various credit agreements and derivative product agreements were entered into to manage interest-rate and foreign exchange risk.

All off-balance sheet financial instruments are subject to the usual standards related to credit, financial controls and risk management and control procedures. In addition to credit risk, the Corporation is exposed to risks related to the nature of its off-balance sheet derivative financial instruments, where the lack of a third party could result in economic losses on favourable contracts. However, the third parties to these derivative financial instruments are major financial institutions which, according to the Corporation, should meet their obligations under these agreements.

A) CREDIT INSTRUMENTS Credit instruments are additional means of financing in the form of off-balance sheet products such as guarantees, letters of credit, credit commitments and securities lending.

Credit commitments represent the unused amounts of credit authorizations given in the form of loans, guarantees or letters of credit. With respect to the credit risk related to its credit commitments, the Corporation is subject to a contingent risk of an amount equal to the total unused commitments. However, most credit commitments depend on the clients' respecting well-established credit standards. Insofar as these instruments reach maturity or are not used in full, the credit risks of these instruments are lower than the contractual amounts.

In securities lending operations, the Corporation acts as the agent for the security holder who agrees to lend the security to a borrower for a commission, under the terms of a predetermined agreement. The borrower must, at all times, guarantee the borrowed securities (guaranteed by negotiable securities generally issued by the federal or provincial governments). There is a risk of loss if the borrower does not meet its commitments and the value of the security is insufficient to cover the amount of the loan. The credit risk related to these transactions is, however, considered to be minimal since the Corporation only does business with stock brokerage firms and financial institutions recognized as borrowers. Also, the borrower pledges securities of a value at least equivalent to the loan amount, adjusted on a daily basis, as collateral. Securities lending corresponds to the amount of clients' securities loaned as at December 31.

	2002 Contractual amount	2001 Contractual amount
Credit commitments	**$ 1,717**	$ 6,635
Securities lending	**4,235,986**	3,897,931
	$ 4,237,703	$ 3,904,566

B) DERIVATIVE FINANCIAL INSTRUMENTS Interest-rate swaps, foreign exchange forward contracts and simultaneous interest-rate and foreign exchange swaps are used by the Corporation. They are financial contracts whose value depends on the interest rate and value of foreign currency. The use of derivatives allows the transfer, modification or reduction of current or expected risks, including interest-rate risks, foreign exchange risks and other market risks. Derivative financial instruments are used by the Corporation to manage its interest and foreign exchange rate risks. The Corporation does not enter into these contracts to obtain trading gains. Transactions are entered into with approved counterparties for which the Corporation maintains limits based on credit quality and structure.

i) Interest-rate contracts

Swaps Interest rate swaps are transactions whereby two parties exchange flows of interest earned on a notional amount for a specified period, based on fixed and variable rates agreed to between the two parties. Notional amounts are not the subject of an exchange.

Interest-rate floors Interest-rate floors are option contracts on interest-rate differences, negotiated by mutual agreement, wherein a floor on the interest rate is predetermined and which, by the payment of a premium to the vendor, the purchaser has the right to receive, and the vendor the obligation to pay, at each reference period, the difference in interest between the variable reference rate and the floor set in the contract, if that rate is higher.

Interest-rate caps Interest-rate caps are option contracts on interest-rate differences, negotiated by mutual agreement, wherein a cap on the interest rate is predetermined and which, by the payment of a premium to the vendor, the purchaser has the right to receive, and the vendor the obligation to pay, at each reference period, the difference in interest between the variable reference rate and the cap set in the contract, if that rate is lower.

Note 16 Off-balance sheet financial instruments (continued)

Credit default swaps Credit default swaps are contracts that isolate and transfer credit risk on a financial instrument to a third party. In exchange for a premium, the seller protects the beneficiary against credit loss on an underlying reference asset as a result of a specific credit event.

Options Options are contractual agreements according to which the vendor grants the purchaser the right, but not the obligation, to purchase (call option) or sell (put option) by a certain date, a specific amount of financial instruments at a predetermined price. The vendor receives a premium from the purchaser in exchange for that right.

ii) Foreign exchange and market-index contracts

Simultaneous interest-rate and foreign exchange swaps Simultaneous interest-rate and foreign exchange swaps are transactions whereby two parties exchange foreign currencies and interest rates based on a notional amount over a predetermined period. The notional amount is usually exchanged at the beginning of the transaction, then again at maturity. Foreign exchange forward contracts are transactions in which interest payments at a fixed or variable rate in a foreign currency are made against the receipt of interest payments at a fixed or variable rate in another currency.

Simultaneous interest-rate and market-index swaps Simultaneous interest-rate and market-index swaps are transactions whereby a counterparty exchanges the market yield for the interest cash flows or vice versa, based on a specific notional amount over a predetermined period. Notional amounts are not exchanged.

Foreign exchange forward contracts Foreign exchange forward contracts are commitments between the parties to exchange two foreign currencies at a future date, at a rate agreed to when the contract is entered into.

The following table provides an overview of the derivative financial instruments portfolio and related credit risk as at December 31:

	2002 Notional amount	2002 Fair value positive	2002 Fair value negative	2002 Fair value total	2001 Notional amount	2001 Fair value positive	2001 Fair value negative	2001 Fair value total
Interest-rate contracts								
Swaps	$ 949,619	$ 13,920	$ (17,357)	$ (3,437)	$ 675,308	$ 15,356	$ (15,700)	$ (344)
Interest-rate floors	25,000	—	(120)	(120)	50,000	—	(1,109)	(1,109)
Credit default swaps	15,348	—	(222)	(222)	—	—	—	—
Option sold	151,700	—	(359)	(359)	46,700	—	(49)	(49)
Foreign exchange and market-index contracts								
Simultaneous interest-rate and foreign exchange swaps	48,387	—	(2,092)	(2,092)	67,714	—	(6,748)	(6,748)
Simultaneous interest-rate and market-index swaps	14,388	—	(319)	(319)	14,910	—	(711)	(711)
Foreign exchange forward contracts	3,436	—	(1)	(1)	5,336	—	(56)	(56)
	$1,207,878	13,920	(20,470)	$ (6,550)	$ 859,968	15,356	(24,373)	$ (9,017)
Master netting agreements		13,920	(13,920)			15,356	(15,356)	
Net credit risk		$ —	$ (6,550)			$ —	$ (9,017)	

All derivatives are concluded with financial institutions including $10,167,501 as at December 31, 2002 with Caisse centrale Desjardins ($15,336,000 as at December 31, 2001).

NOTIONAL AMOUNT The notional amount is the amount to which a rate or price is applied to calculate the exchange of cash flows.

FAIR VALUE The fair value of the derivative products was estimated based on the quoted market prices for contracts with similar terms and credit risks. The fair value reflects the estimated amount that the Corporation could receive or might have to pay to cancel the contracts as at December 31.

CREDIT RISK The maximum derivative credit exposure is the risk of loss the Corporation is assuming in the event the counterparties fail to honour their commitments.

Note 16 Off-balance sheet financial instruments (continued)

The maturities and weighted average interest rates paid and received on interest rate contracts are as follows:

2002	Notional Amount: Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		5 years and over		Total	
Interest-rate contracts										
Swaps										
Due at a fixed rate	$ —	—%	$ —	—%	$ —	—%	$ —	—%	$ —	—%
Payable at a fixed rate	353,519	4.27	260,100	4.49	65,000	4.31	121,000	5.01	799,619	4.46
Payable / Due at a variable rate	25,000	2.84	25,000	—	100,000	2.83	—	—	150,000	2.36
Interest-rate floors	25,000	n/a	—	—	—	—	—	—	25,000	n/a
Credit default swaps	—	—	—	—	7,657	0.58	7,691	0.65	15,348	0.62
Option sold	51,700	n/a	—	—	100,000	n/a	—	—	151,700	n/a
Foreign exchange and market-index contracts										
Simultaneous interest rate and foreign exchange swaps										
Payable / Due at a variable rate	—	—	—	—	—	—	7,650	2.21	7,650	2.21
Payable at a fixed rate	40,737	9.75	—	—	—	—	—	—	40,737	9.75
Simultaneous interest-rate and market-index swaps										
Due at a variable rate	14,388	1.96	—	—	—	—	—	—	14,388	1.96
Foreign exchange forward contracts										
Due	168	n/a	—	—	—	—	—	—	168	n/a
Payable	3,268	n/a	—	—	—	—	—	—	3,268	n/a
	$513,780	n/a	$285,100	n/a	$272,657	n/a	$136,341	n/a	$1,207,878	n/a

2001	Notional Amount: Less than 1 year		From 1 year to 3 years		From 3 years to 5 years		5 years and over		Total	
Interest-rate contracts										
Swaps										
Due at a fixed rate	$ —	—%	$ 35,000	5.14%	$ —	—%	$ —	—%	$ 35,000	5.14%
Payable at a fixed rate	238,950	4.47	210,358	5.37	135,000	4.73	6,000	6.88	590,308	4.87
Payable / Due at a variable rate	25,000	2.35	25,000	2.25	—	—	—	—	50,000	2.30
Interest-rate floors	25,000	n/a	25,000	n/a	—	—	—	—	50,000	n/a
Credit default swaps	—	—	—	—	—	—	—	—	—	—
Option sold	40,000	n/a	6,700	n/a	—	—	—	—	46,700	n/a
Foreign exchange and market-index contracts										
Simultaneous interest rate and foreign exchange swaps										
Payable / Due at a variable rate	10,395	2.18	—	—	—	—	7,650	4.03	18,045	2.97
Payable at a fixed rate	8,932	7.30	40,737	9.75	—	—	—	—	49,669	9.31
Simultaneous interest-rate and market-index swaps										
Due at a variable rate	14,910	1.63	—	—	—	—	—	—	14,910	1.63
Foreign exchange forward contracts										
Due	1,990	n/a	—	—	—	—	—	—	1,990	n/a
Payable	3,346	n/a	—	—	—	—	—	—	3,346	n/a
	$ 368,523	n/a	$ 342,795	n/a	$ 135,000	n/a	$ 13,650	n/a	$ 859,968	n/a

Note 17 Interest-rate risks

The tables below illustrate the Corporation's sensitivity to interest-rate fluctuations as at December 31, 2002 and 2001. This situation only applies on those dates and could have changed subsequently, given the interest-rate forecasts and the client's choice of products and maturity dates. The main assumptions used are as follows:

ASSETS Fixed-term assets such as mortgage, industrial and commercial loans are shown according to their expected maturities, rates and repayment conditions based on historical data.

DEPOSITS OR LIABILITIES Non-performing interest deposits are not considered to be sensitive to interest-rate fluctuations. Investment certificates are shown according to the anticipated maturity, without considering anticipated renewal options. Term deposits are presented according to the expected maturity dates.

Interest-rate sensitivity as at December 31

2002	From 0 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 2 years	2 years and over	Not interest-rate sensitive	Total
Assets							
Cash and cash equivalents	$314,261	$—	$—	$—	$—	$—	$314,261
	2.82%	*—%*	*—%*	*—%*	*—%*	*—%*	*2.82%*
Mortgage, industrial and commercial loans	41,496	33,655	57,881	63,822	134,884	491	332,229
	5.78%	*5.95%*	*6.05%*	*6.22%*	*6.53%*	*—%*	*6.23%*
Securities	78,846	31,395	200,756	20,923	131,610	—	463,530
	4.82%	*4.52%*	*3.84%*	*5.07%*	*3.92%*	*—%*	*4.13%*
Interest receivable	—	—	—	—	—	7,659	7,659
Other assets	—	—	—	—	—	82,117	82,117
	$434,603	$65,050	$258,637	$84,745	$266,494	$90,267	$1,199,796
	3.46%	*5.26%*	*4.34%*	*5.94%*	*5.24%*	*—%*	*4.07%*
Liabilities and shareholders' equity							
Secured deposits and interest payable	$600,567	$84,969	$114,834	$108,142	$135,033	$16,106	$1,059,651
	1.05%	*3.47%*	*3.30%*	*4.24%*	*4.66%*	*—%*	*2.26%*
Accounts payable and other	—	—	—	—	—	57,376	57,376
Shareholders' equity	22,000	—	—	—	—	60,769	82,769
	5.00%	*—%*	*—%*	*—%*	*—%*	*—%*	*1.33%*
	$622,567	$84,969	$114,834	$108,142	$135,033	$134,251	$1,199,796
	1.19%	*3.47%*	*3.30%*	*4.24%*	*4.66%*	*—%*	*2.09%*
Balance sheet gap	$(187,964)	$(19,919)	$143,803	$(23,397)	$131,461	$(43,984)	$—
Off-balance sheet gap [1]	123,250	(5,500)	(100,400)	(15,000)	(2,350)	—	—
Total gap	$(64,714)	$(25,419)	$43,403	$(38,397)	$129,111	$(43,984)	$—

[1] The off-balance sheet gap represents the net notional amount related to off-balance sheet financial instruments used to manage interest-rate risks.

Note 17 Interest-rate risks (continued)

Interest-rate sensitivity as at December 31

2001	From 0 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 2 years	2 years and over	Not interest rate sensitive	Total
Assets							
Cash and cash equivalents	$316,280 *2.40%*	$— *—%*	$— *—%*	$— *—%*	$— *—%*	$— *—%*	$316,280 *2.40%*
Mortgage, industrial and commercial loans	41,710 *6.75%*	40,863 *6.48%*	71,357 *6.38%*	100,223 *6.67%*	131,028 *6.66%*	(1,089) *—%*	384,092 *6.62%*
Loans to a company under common control	27,223 *5.86%*	2,335 *6.75%*	6,079 *6.53%*	13,137 *6.56%*	18,473 *7.45%*	— *—%*	67,247 *6.52%*
Securities	59,585 *4.40%*	59,584 *5.03%*	87,485 *4.98%*	129,438 *6.73%*	115,699 *4.44%*	— *—%*	451,791 *5.27%*
Interest receivable	—	—	—	—	—	8,823	8,823
Other assets	—	—	—	—	—	63,705	63,705
	$444,798 *3.29%*	$102,782 *5.65%*	$164,921 *5.64%*	$242,798 *6.70%*	$265,200 *5.75%*	$71,439 *—%*	$1,291,938 *4.74%*
Liabilities and shareholders' equity							
Secured deposits and interest payable	$659,872 *1.79%*	$102,415 *4.63%*	$150,830 *4.15%*	$117,201 *4.35%*	$112,703 *5.27%*	$19,405 *—%*	$1,162,426 *2.91%*
Accounts payable and other	—	—	—	—	—	48,253	48,253
Shareholders' equity	22,000 *4.46%*	— *—%*	— *—%*	— *—%*	— *—%*	59,259 *—%*	81,259 *1.21%*
	$681,872 *1.88%*	$102,415 *4.63%*	$150,830 *4.15%*	$117,201 *4.35%*	$112,703 *5.27%*	$126,917 *—%*	$1,291,938 *2.70 %*
Balance sheet gap	$(237,074)	$367	$14,091	$125,597	$152,497	$(55,478)	$—
Off-balance sheet gap[1]	192,419	(5,000)	(44,932)	(110,137)	(32,350)	—	—
Total gap	$(44,655)	$(4,633)	$(30,841)	$15,460	$120,147	$(55,478)	$—

[1] The off-balance sheet gap represents the net notional amount related to off-balance sheet financial instruments used to manage interest-rate risks.

The on-and-off balance sheet assets and liabilities shown in the above tables are recorded in the reference periods corresponding to the earlier of the maturity or contractual repricing dates. Certain balance sheet items are not a source of interest-rate risk for the Corporation. These items are indicated in the columns of the table showing instruments not sensitive to interest rates.

Note 18 Commitments

The Corporation has commitments under operating leases for office space and computer equipment for a total amount of $31,640,339 until the leases expire. Commitments for the next five years are: $12,466,082 in 2003, $8,665,793 in 2004, $6,418,427 in 2005, $2,649,730 in 2006 and $1,029,995 in 2007. These include commitments to a member entity of the Mouvement Desjardins under long-term leases for office space of $16,742,988 until the leases expire. Annual payments over the next five years are: $5,254,825 in 2003, $5,212,447 in 2004, $4,699,996 in 2005, $1,563,720 in 2006 and $10,000 in 2007.

Note 19 Contingent liability

In Management's opinion, any damages the Corporation may have to pay as a result of legal actions instituted against it and its subsidiaries would not be material.

Note 20 Segment disclosure

The Corporation operates in three main segments, described below. Each segment offers different services, uses its own marketing strategies, and generates separate financial information.

PERSONAL SERVICES Personal services comprise a range of specialized financial and trust products and services, including investment funds, portfolio management and agency services such as property and estate administration. Fees are the main source of income from this segment.

CORPORATE SERVICES Corporate services include administrative and custodial services, registrar and trust services as well as group savings plans. Fees are the main source of income from this segment.

FINANCIAL INTERMEDIARY SERVICES Financial intermediary services consist of issuing term deposits and investing the proceeds in mortgage loans, other loans and securities. Net investment income is the main source of income from this segment.

	2002 Personal services	2002 Corporate services	2002 Financial intermediary services	2002 Total	2001 Personal services	2001 Corporate services	2001 Financial intermediary services	2001 Total
Income before operating expenses	**$ 45,392**	**$ 49,812**	**$ 20,174**	**$ 115,378**	$ 44,883	$ 49,698	$ 21,897	$ 116,478
Earnings before income taxes	**2,972**	**10,889**	**8,032**	**21,893**	1,138	14,864	7,562	23,564
Income taxes				**7,739**				9,070
Net earnings				**$ 14,154**				$ 14,494

Substantially all of the Corporation's assets are related to its financial intermediary services. As a result, identifiable assets by segment have not been disclosed.

The accounting policies of the various segments are the same as those described in the summary of significant accounting policies. Desjardins Trust measures the performance of each segment based on earnings before income taxes.

The Corporation does not derive income from clients outside Canada, and none of its fixed assets are located outside Canada.

Financial Summary and Quarterly Financial Information

Financial Summary

(in thousands of dollars)

	2002	2001	2000	1999	1998
SUMMARY OF RESULTS					
Income					
Fee income	**$ 131,764**	$ 125,848	$ 119,743	$ 109,463	$ 98,754
Managers' fees and commissions on investment fund	**40,992**	37,265	33,110	28,495	23,811
Net fee income	**90,772**	88,583	86,633	80,968	74,943
Investment income	**63,456**	79,519	83,353	69,059	76,555
Interest expense	**38,850**	51,624	55,315	50,495	54,040
Net investment income	**24,606**	27,895	28,038	18,564	22,515
Income before operating expenses	**115,378**	116,478	114,671	99,532	97,458
Operating expenses					
Salaries and employee benefits	**54,572**	51,895	49,572	43,116	40,871
Other operating expenses	**38,913**	41,019	42,477	39,476	36,696
	93,485	92,914	92,049	82,592	77,567
Earnings before income taxes	**21,893**	23,564	22,622	16,940	19,891
Income taxes	**7,739**	9,070	9,163	1,405	189
Net earnings	**$ 14,154**	$ 14,494	$ 13,459	$ 15,535	$ 19,702

Quarterly Financial Information

Quarterly Results

2002	March	June	September	December	Total
Net fee income	**$ 22,919**	**$ 23,696**	**$ 22,436**	**$ 21,721**	**$ 90,772**
Net investment income	**$ 6,594**	**$ 6,350**	**$ 5,968**	**$ 5,694**	**$ 24,606**
Earnings before operating expenses	**$ 29,513**	**$ 30,046**	**$ 28,404**	**$ 27,415**	**$ 115,378**
Net earnings	**$ 3,399**	**$ 3,969**	**$ 3,065**	**$ 3,721**	**$ 14,154**

2001	March	June	September	December	Total
Net fee income	$ 21,517	$ 22,272	$ 21,578	$ 23,216	$ 88,583
Net investment income	$ 6,301	$ 7,158	$ 7,317	$ 7,119	$ 27,895
Earnings before operating expenses	$ 27,818	$ 29,430	$ 28,895	$ 30,335	$ 116,478
Net earnings	$ 2,936	$ 4,270	$ 4,027	$ 3,261	$ 14,494

Net earnings of $14.2 million were posted as at December 31, 2002, compared to $14.5 million in 2001.

Financial Summary

(in millions of dollars)

	2002	2001	2000	1999	1998
ASSETS ADMINISTERED					
Assets					
Mortgage, industrial and commercial loans	**$ 332**	$ 384	$ 431	$ 519	$ 522
Loans to an affiliated company	**—**	67	99	131	237
Investments and securities	**778**	768	708	522	429
Other assets	**90**	73	50	35	30
	1,200	1,292	1,288	1,207	1,218
Assets administered	**143,432**	145,675	148,630	133,640	118,048
Total assets administered	**$ 144,632**	$ 146,967	$ 149,918	$ 134,847	$ 119,266

	2002	2001	2000	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY					
Guaranteed deposits, notes and other liabilities	**$ 1,117**	$ 1,211	$ 1,198	$ 1,130	$ 1,138
Shareholders' equity	**83**	81	90	77	80
	$ 1,200	$ 1,292	$ 1,288	$ 1,207	$ 1,218

	2002	2001	2000	1999	1998
PER SHARE					
Net earnings	**$ 9.09**	$ 9.07	$ 8.21	$ 9.60	$ 9.97
Book value	**$ 40.87**	$ 39.85	$ 43.98	$ 33.25	$ 33.32

	2002	2001	2000	1999	1998
RATIOS					
Return on shareholders' equity	**22.0 %**	20.1 %	20.8 %	25.2 %	31.6 %
Return on assets [1]	**1.18 %**	1.12 %	1.04 %	1.29 %	1.62 %

(in thousands)

	2002	2001	2000	1999	1998
NUMBER OF SHARES OUTSTANDING					
Average and fiscal year-end	**1,487**	1,487	1,487	1,487	1,837

[1] Before dividends on preferred shares.

Board Members

André Lachapelle (1 – 4)
Chairman of the Board
Notary
Gagnon, Cantin, Lachapelle et associés
Chairman on the Council of Representatives (CORE)
Lanaudière

Jean-Pierre Roy (1)
First Vice-Chairman of the Board
General Manager
Caisse populaire Desjardins de Windsor

Alain Raîche (1)
Second Vice-Chairman of the Board
General Manager
Caisse populaire Desjardins de l'Épiphanie

Daniel Dupuis (2 – 3)
General Manager
Caisse populaire Sainte-Thérèse-de-Blainville

Robert Dutton (1)
President and Chief Executive Officer
RONA inc.

Francine Harel-Giasson (2 – 3)
Professor
École des Hautes Études commerciales

Jean Landry (1 – 4)
President and Chief Operating Officer
Desjardins Trust

Monique F. Leroux, FCA (1 – 4)
President of Desjardins Financial Corporation
and Chief Executive Officer of Desjardins Trust

Gérard-Antoine Limoges (2 – 3)

Member of the:
(1) Executive Committee
(2) Audit Committee
(3) Ethics Committee
(4) Investment Committee

Directors having stepped down during the year:
Mario Beaudoin
Yvon Bergeron
Yves Bernatchez
Réjean Brunelle
Serge Cloutier
Normand Doucet
Denis Drouin
Jean-Paul Gagnon
Pierre L. Lambert
Roger Marchand
André Paré
Serge Simard

Management

Monique F. Leroux, FCA
President and
Chief Executive Officer

Jean Landry, CA
President and
Chief Operating Officer

Raymond Beauchamp
Senior Vice-President
Corporate Services

- **Lise Charbonneau**
  Vice-President, Business Development and Client Relationships
  Custody and Pension Plans
- **Brigitte Gascon**
  Vice-President, Clients Accounting and Securities Services
  Custody and Pension Plans

Claude Dupuis
Senior Vice-President
Technologies

- **Sylvie Beaudoin**
  Vice-President, Quality and Process Development
- **Diane Filion**
  Vice-President, Development and Maintenance
- **Michel Therien**
  Vice-President, Operations and Support

François Gagnon
Senior Vice-President
Finances

- **Marc Audet**
  Vice-President, Immigrant Investors Program
- **Denis Blais**
  Vice-President, Budget and Control
- **Robert Comtois**
  Vice-President, Private Management Administration
- **Vacant**
  Vice-President, Investments

Renald Letarte
Senior Vice-President
Consumer Sales

- **Michel Bolduc**
  Vice-President, Sales – Caisse Network
- **Jean Brunelle**
  Vice-President, Sales – Private Management Centres
- **Michel Préfontaine**
  Vice-President, Sales – Financial Services
- **Suzanne Tremblay**
  Vice-President, Sales – Intermediary Networks

Normand Paquin
Senior Vice-President
Marketing and
Business Development

- **Marc Dubuc**
  Vice-President, Marketing
- **Hélène Gagné**
  Vice-President, Communications

Sylvie Riel
Senior Vice-President
Product Management

- **Hélène Desrochers**
  Vice-President, Mutual Funds, Budget and Control
- **Anik Duchesne**
  Vice-President, Investment Fund Accounting
- **René Gagnon**
  Vice-President, Taxation Differed Savings Plans

Pierre Bourret
Senior Vice-President
Human Resources

Johanne L. Rémillard
First Vice-President, Legal
Affairs and General Secretary

Denis Savard
Internal Auditor

Where to reach us

Head office

Desjardins Trust
1 Complexe Desjardins
P.O. Box 34
Desjardins Station
Montréal (Québec) H5B 1E4
(514) 286-9441 or 1 800 361-6840

Financial Call Centre
(514) 286-3225 or 1 800 361-2680
Open from 9 a.m. to 5 p.m., Monday to Friday

Financing Services
(514) 286-9866 or 1 800 363-3942

Immigrant Investors Program
(514) 499-8440 or 1 800 363-3915
info@immigrantinvestor.com

Other information

Transfer Agent
Desjardins Investment Management
1 Complexe Desjardins
South Tower, Suite 1422
Montréal (Québec) H5B 1E4

Banking Business
Caisse centrale Desjardins
1 Complexe Desjardins
Suite 2822, P.O. Box 220
Montréal (Québec) H5B 1B3

Caisse populaire Desjardins
5-100, Promenade
Complexe Desjardins
P.O. Box 244, Desjardins Station
Montréal (Québec) H5B 1B4

Desjardins Private Management

Desjardins Station
1 Complexe Desjardins
P.O. Box 991
Desjardins Station
Montréal (Québec) H5B 1C1
(514) 286-1900 or 1 800 463-1037

Ottawa / Gatineau
333 Laurier Avenue West
Ottawa (Ontario) K1P 1C1
(613) 567-0056 or 1 800 667-1514

Laval / Laurentians
Complexe Daniel-Johnson
2550 Daniel-Johnson Blvd., Suite 100
Laval (Québec) H7T 2L1
(450) 686-8840 or 1 800 363-7964

Québec
2875 Laurier Blvd., Suite 1100
Sainte-Foy (Québec) G1V 2M2
(418) 653-6811 or 1 800 463-4792

Copie française disponible sur demande :

Fiducie Desjardins
Service des communications
1, complexe Desjardins
Case postale 34
Succursale Desjardins
Montréal (Québec) H5B 1E4

(514) 286-3100 ou 1 800 361-6840, poste 2405
direction.communications@fiduciedesjardins.com

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